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SUBJECT: A/S HILL'S APRIL 13-14 MEETINGS WITH MOFAT YU
MYUNG-HWAN AND YUN BYUNG-SE

REF: SEOUL 862

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4 (b), (d).

SUMMARY

¶1. (S) During an April 13 meeting, MOFAT Acting Foreign Minister Yu Myung-hwan stressed to EAP A/S Christopher Hill and the Ambassador the need for patience with North Korea on the nuclear issue, a public emphasis on the importance of the Six Party Talks, and increased Chinese pressure on the North.

Hill said that he went to Tokyo to demonstrate the U.S. commitment to regional discussions and to emphasize that the North could not continue to boycott the Six Party Talks and be considered a partner in the process. He agreed that more persuasion was needed from the Chinese. Hill and Yu also discussed the U.S.-ROK Strategic Consultations, USFK base transfers, a Free Trade Agreement and Kaesong. Hill separately had a breakfast meeting on April 14 with MOFAT Deputy Foreign Minister Yun Byung-se that covered similar topics. END SUMMARY.

NORTH KOREAN NUCLEAR ISSUE

¶2. (S) Acting Foreign Minister Yu Myung-hwan on April 13 noted to EAP A/S Christopher Hill and the Ambassador that South Korean officials in Tokyo gave a strong message to the North Korean delegation on the nuclear issue on the margins of the April 11-12 Northeast Asia Cooperation Dialogue (NEACD) conference. Still, he was concerned that in the court of public opinion, especially in South Korea, it might appear that Washington had lost interest in the Six Party Talks. He asked for USG patience with North Korea and, whenever possible, for the U.S. to stress the importance of the Six Party Talks. Yu speculated that North Korean VFM Kim Gye-gwan was in a difficult position because while he understood the issues, he might be afraid to report the true message to decision makers in Pyongyang. The nuclear card was the only leverage the North had, and so Pyongyang was tempted to use it to obtain security assurances and economic assistance, Yu said. In that regard, North Korea with a bankrupt economy was unlike Iran that had other resources. The next step was to send a strong message to China that it should press the North to show flexibility, Yu concluded.

¶3. (S) A/S Hill responded that patience was important but so was a little firmness. He participated in the NEACD in Tokyo

to underscore the value of regional discussions. The decision to not meet with VFM Kim Gye-gwan was a message that the North could not boycott the Six Party Talks and expect to be a full partner in the Talks. Hill said that ROK VFM Minister Chun Young-woo told him in Tokyo that VFM Kim Gye-gwan continued to insist on revising the September Joint Statement to change the wording from a "discussion" of the provision of a light-water reactor at an appropriate time to a "decision." Hill wondered whether Kim had the ability to convince North Korean party or military officials to stop asking for their \$24 million related to the Banco Delta Asia issue. Hill agreed that more was needed from Beijing than friendly persuasion with Pyongyang.

U.S.-ROK STRATEGIC CONSULTATIONS

¶ 14. (C) A/S Hill noted that Under Secretary Burns looked forward to coming to Seoul to inaugurate the sub-ministerial level Strategic Consultations on Allied Partnership. Yu responded that he would be in Beijing from May 22-25, but he would be glad to host the talks any time after that.

USFK PRESENCE AND MILITARY RELATIONS

¶ 15. (C) Yu asserted that he understood the urgency of the return of some USFK bases to South Korea, but he thought that the May 31 regional elections in Korea might affect the calculus of other ministries. He recently urged Environment Minister Lee Chi-beom to take a broader view of what South Korea would gain from base transfers, but unfortunately Lee had an environmental-activist background. Once the land was returned to Korea, the ROKG could resell the property and

should take a pragmatic view, something that some activists did not understand. He wondered aloud whether the Defense Ministry might consider supplementing custodial costs of some closed U.S. bases before the transfer, perhaps by providing gardeners. Yu hoped there would be some progress at the next round of the Security Policy Initiative.

¶ 16. (C) Hill told Yun that USFK Commander General Bell and others were concerned that alliance issues not get dragged into South Korean elections. For example, General Bell was dismayed that South Korean authorities were unable to secure beaches used for recent U.S.-ROK amphibious training exercise. It would have been a tragedy had there been any casualties due to such incidents.

¶ 17. (C) Yun noted that Seoul was still considering the U.S. request to support provincial reconstruction teams (PRT) in Iraq. Hill characterized the opportunity to support a PRT as befitting the world's 11th largest industrial economy, saying it was something that Seoul should be able to do. It would be helpful for South Korea to demonstrate that it had the capacity and experience to be able to handle the job, and it was a logical extension of South Korean military modernization efforts. USFK Commander General Bell had been extremely complimentary about South Korean military training and equipment during recent meetings, A/S Hill said.

FREE TRADE AGREEMENT

¶ 18. (C) Yu pointed to some short-term obstacles to successful FTA discussions, but he was generally optimistic. With democracy taking firmer root in South Korea, NGO voices were getting stronger. This was unavoidable but understandable. Hill said that he looked forward to meeting later in the day with the Trade Minister (septel) to emphasize the large impact that a FTA would have on South Korea's competitiveness in Asia. Moreover, a FTA would strengthen the bilateral alliance.

¶ 19. (C) Hill mentioned to Yun that he had asked Uri Party Chairman Chung Dong-young the day before whether the ruling party would support FTA negotiations, but the response was

less than enthusiastic (septel). Chung had said that the Uri Party would support the FTA, but there might not be enough time to complete negotiations and concerns remained about certain sectors like agriculture, rice in particular, healthcare services, and education. Hill emphasized to Yun that a FTA would be a big shot in the arm for Korean competitiveness, help the economy, and lay the foundation for the next 50 years of the alliance. Yun explained that the Uri Party consisted of divergent voices, but President Roh stood fully behind his decision to launch FTA negotiations. As for MOFAT, it had declared that FTA negotiations, along with Visa Waiver Program and Strategic Consultations, were its top-three alliance priorities for this year.

KAESONG

¶10. (C) Yu expressed his hope to organize a trip to the Kaesong Industrial Complex (KIC) for foreign diplomats in South Korea. The purpose would be to show the reality of KIC, such as the fact that the workers were provided a good meal and that it was a place for North Koreans to learn about business opportunities. Yu said that Seoul had tried to get permission to pay the workers directly, but in lieu of that workers were being required to sign for their paychecks so that they would see how much of their salary was taken by the North Korean government.

¶11. (C) Hill told Yun that the KIC project raised delicate concerns. The KIC had become a symbol of the South Korean and Chinese lifeline that explained why the North Korean economy had not yet collapsed. Others criticized Seoul for not demanding that it be allowed to directly pay KIC workers their wages. The issue of human rights in North Korea was a significant problem.

¶12. (C) Yun said he was troubled by that kind of publicity because from the ROK viewpoint the KIC was an important experiment that could help change North Korea into a market economy over time. Plus, it would help set the stage for an

eventual reunification by increasing understanding about South Korea. North American Affairs Bureau Director-General Cho Tae-yong added that a recent delegation of U.S. Congressional staffers in a visit earlier in the week to KIC took pictures of North Korean payroll signatures. The KIC itself only involved about \$5 million annually, too small an amount to stabilize the North Korean regime.

JAPAN

¶13. (C) Yu mentioned that during his visit to Tokyo last month (ref a), he told his Japanese interlocutors that Prime Minister Koizumi should pay more attention to the views of China and Korea. Without Chinese and Korean cooperation, Japan would not be able to play a significant role in the region. While he felt more confident about his Foreign Ministry counterparts, he thought Japanese politicians might not understand regional concerns. Yu opined that the Yasukuni museum also fueled anti-American sentiments by claiming that the war tribunal after WWII lacked legitimacy, and so this was an affront to the United States too. Some conservative Japanese, he said, thought they were the victims of WWII, but from the Korean point of view Korea was a victim. Still, Korea had to live with its geographical neighbor, and on the bright side people and trade exchanges continued to grow despite the political difficulties.

VERSHBOW